

Research Grant Summaries

Authorization for extramural research in the vast area of Social Security is awarded under section 1110 of the Social Security Act. In this issue we have summaries of two recently completed research grants.

The first summary, "How Elderly Women Become Poor: Findings From the New Beneficiary Data System" (Grant No. 10-P-98352-3-02), is based on the grant topic of "how the elderly become poor: the economic circumstances of aging women with special attention to widows and divorcees." The summary was co-authored by Lois B. Shaw, Ph. D., and Hsiao-ye Yi, Ph.D., of the Institute for Women's Policy Research (IWPR), Washington, DC.

The second summary, "Why SIPP and CPS Produce Different Poverty Measures Among the Elderly" is based on the grant topic, "documenting and explaining SIPP-CPS differences in poverty measures among the elderly." The report was produced under Grant No. 10-P-98350-3-01 from the Social Security Administration. The summary was written by Alberto Martini of the Income and Benefits Policy Center, The Urban Institute, Washington, DC.

How Elderly Women Become Poor: Findings From the New Beneficiary Data System

The major objective of this research was to expand our knowledge of why certain groups among the elderly, especially

widowed and divorced women, have a high risk of poverty. To meet this objective, we analyzed changes in the economic circumstances of elderly women in the 10 years after they first began receiving Social Security benefits.

We used data from the New Beneficiary Data System (NBDS), which contains information from interviews with women and men who had begun receiving Social Security benefits 1-2 years before the first interview in 1982.¹ Respondents were reinterviewed in 1991 when most of them were in their early to mid-seventies. We compared married women with three other groups: recent widows whose husbands had died between the interviews, long-term widows, and long-term divorced or separated women. Very few women in the sample changed marital status through marriage, divorce, or separation between interviews.

The poverty rates reported here are based on the income of individual nonmarried women or couples. Because of data limitations, we do not have consistent family income measures for the two interview years for those living with family members other than husbands. Income of other family members is included only to the extent that it was reported as monetary support by the respondent. Except for the few cases reporting such support, these poverty measures indicate the ability of the women or couples to live on their own resources.

We provide several poverty measures, some of which take into account the value of food stamps and home equity.

Table 1 .-Percent of women poor or near-poor in 1982 and 1991, by marital status and income measure

Marital status and year	Cash income only		Cash income, food stamps, and imputed rent	
	Poor ¹	Near-poor ²	Poor ¹	Near-poor ²
<i>Married both years</i>				
1982	3	9	1	6
1991.....	2	11	1	7
<i>Widowed after 1982</i>				
1982.....	3	11	2	8
1991.....	8	28	5	20
<i>Widowed both years</i>				
1982.....	12	32	9	25
1991.....	16	43	11	35
<i>Divorced/separated both years</i>				
1982.....	23	45	18	38
1991.....	26	52	22	47

¹ Below 100 percent of poverty threshold.

² Below 150 percent of poverty threshold.

Source: IWPR calculations based on the 1982 and 1991 New Beneficiary Surveys.

Women with incomes below the official poverty threshold will be referred to as "poor," while those with incomes below 150 percent of the official threshold will be referred to as "near-poor."²

Changes in Economic Circumstances

Between 1982 and 1991, the amount of poverty or near-poverty increased for all three groups of nonmarried women, while married couples experienced little or no change (see table 1). Divorced or separated women were the worst off in both years, followed by long-term widows, and recent widows. In 1991, approximately one-quarter of divorced or separated women and one-sixth of long-term widows were poor, compared with only 8 percent of recent widows and 2 percent of married women. Many nonmarried women, including more than 40 percent of long-term widows and more than half of divorced or separated women, had incomes below the near-poverty level.

When we took into account the value of home ownership, the amount of poverty and near-poverty decreased for all groups. However, near-poverty rates remained high for

nonmarried women.³ In 1991, 20 percent of recent widows, 35 percent of long-term widows, and nearly 50 percent of divorced or separated women were near-poor, even after taking their home equity into account. Income below the poverty level was uncommon among recent widows and married couples.

In contrast with the situation for younger people, poverty tends to be a long-term problem for elderly women who are not married (see table 2). Between 70 and 80 percent of nonmarried women who were poor in 1982 were still poor 9 years later, and the percentage remaining in near-poverty was even higher. It is, of course, possible that some of these women had been above poverty or near-poverty in intervening years, but their being poor again in 1991 suggests continuing problems of economic insecurity.⁴

In 1991, 60-70 percent of the long-term nonmarried women who were poor had also been poor in 1982, but about two-thirds of the newly widowed had become poor only recently. If these recent widows follow the path of long-term widows, most of them will remain poor or near-poor.

Table 2.-Measures of the persistence of poverty or near-poverty, by marital status

Marital status	Probability of remaining in 1982 status		Probability that 1991 status was long term	
	Poor in 1982 ¹	Near-poor in 1982 ²	Poor in 1991 ¹	Near-poor in 1991 ²
Married both years.....	38	62	56	52
Widowed after 1982.....	(3)	87	31	35
Widowed both years.....	78	83	60	62
Divorced/separated both years . . .	68	86	59	73

¹ Below 100 percent of poverty threshold.

² Below 150 percent of poverty threshold.

³ Sample size less than 30 cases.

Source: IWPR calculations based on the 1982 and 1991 New Beneficiary Surveys.

Table 3.-Percent of unmarried women with income losses of \$50 per month or more: Women who became poor or near-poor, by marital status

Kind of income loss	Widowed after 1982	Widowed both years	Divorced/separated both years
	Became poor ¹		
Percent with \$50 or more loss from:			
Earnings.....	37	45	62
Assets income.....	20	21	12
Pensions ²	13	5	1
	Became near-poor ³		
Percent with \$50 or more loss from:			
Earnings.....	31	38	68
Assets income.....	28	50	20
Pensions ²	35	15	6

¹ Below 100 percent of poverty threshold.

² Public and private pensions except for Social Security.

³ Below 150 percent of poverty threshold.

Source: IWPR calculations based on the 1982 and 1991 New Beneficiary Surveys.

Income Loss Among Elderly Women Who Became Poor

As expected, nearly all recent widows who became poor had experienced a decrease in income from Social Security, because the remaining benefit covered only the widow. In this respect, recent widows differed from other nonmarried women whose Social Security benefits closely mirrored increases in the Consumer Price Index (CPI).⁵ Nearly all recent widows who became poor also had at least one other kind of income loss of \$50 per month or more, most frequently from loss of earnings (table 3), other pension income, or assets. (All losses are expressed in 1991 dollars.)

For long-term, nonmarried women who became poor, the most frequent kind of income loss was earnings. Earnings loss was also important for recent widows; this loss often occurred when their husbands retired or died. For long-term nonmarried women, the earnings losses came about when they stopped

working or reduced the hours they worked. Over 60 percent of long-term divorced or separated women who became poor reported earnings losses. These figures may at first appear surprising because in 1982 only 17 percent of women in the entire sample and a somewhat higher 30 percent of all divorced or separated women were working. However, more than 60 percent of the divorced and separated women who became poor or near-poor had been employed in 1982.

Loss of pension income was not common for nonmarried women who became poor, because very few persons had pensions at this income level. However, about 35 percent of recent widows who became near-poor reported losses of pension income, usually when their husbands' pensions provided small survivor benefits or none at all. Reduced income from assets was also more common among women who became near-poor than among those who became poor, and was especially common among long-term widows. One-half of the long-term widows who became near-poor had lost income from assets.

Table 4.—Probability of being poor or near-poor in 1991, by education and marital status

Years of school completed	Widowed since 1982	Widowed both years	Divorced/separated both years
Poor ¹			
Less than 9.....	18	35	41
9-11.....	11	16	36
12.....	2	9	22
13 or more.....	1	3	9
Near-poor ²			
Less than 9.....	54	67	67
9-11.....	32	48	67
12.....	13	37	45
13 or more.....	7	17	35

¹ Below 100 percent of poverty threshold.

² Below 150 percent of poverty level.

Source: IWPR calculations based on the 1982 and 1991 New Beneficiary Surveys.

Table 5.—Probability of being poor or near-poor in 1991, by receipt of pension income and marital status

Kind of pension ¹	Widowed since 1982	Widowed both years	Divorced/separated both years
Poor ²			
Survivor benefit ³	0	1	(4)
Own pension.....	2	3	7
No pension.....	13	24	38
Near-poor ⁵			
Survivor benefit ³	3	20	(4)
Own pension.....	16	20	26
No pension.....	40	58	68

¹ Public and private pensions except for Social Security.

² Below 100 percent of poverty threshold.

³ From husband's pension.

⁴ Not applicable.

⁵ Below 150 percent of poverty threshold.

Source: IWPR calculations based on the 1982 and 1991 New Beneficiary Surveys.

For most groups, earnings losses were not only the most frequent, but also the largest losses. Among those with losses of \$50 per month or more, the median earnings loss was approximately \$450, compared with asset losses of about \$200. Recent widows who lost pension income had average losses of about \$350 per month, compared with \$200 for other nonmarried women.

Factors Influencing Which Elderly Women Became Poor

The risk of poverty for widows was much higher when their husbands had life-long low earnings (indicated by educational level) or work interruptions that shortened their working lives. This conclusion can be confirmed directly only for recent widows, the only widows for whom educational level of the husband is available.⁶ For long-term widows, early widowhood, indicating interruption of the husbands' normal working life, also increased the likelihood of poverty.

The importance of a woman's own education, which tends to be correlated with that of her husband, may be seen in

Table 6.-Probability of being poor or near-poor in 1991, by husband's health and Disability Insurance status in 1982: Women who were widowed after 1982

Husband's health and Disability Insurance status ¹	Poor ²	Near-poor ³
Had Disability Insurance	7	26
Health condition prevents work, no Disability Insurance	13	39
Some health limitations, no Disability Insurance	8	26
No health limitations	5	17

¹ Includes husbands who began Social Security benefit receipt with Disability Insurance.

² Below 100 percent of poverty threshold.

³ Below 150 percent of poverty threshold.

Source: IWPR calculations based on the 1982 and 1991 New Beneficiary Surveys.

table 4. In all groups studied, women with the least education were most likely to be poor or near-poor in 1991. However, among long-term nonmarried women, the risk of near-poverty was high even for high school graduates. For divorced or separated women, even education beyond high school did not provide adequate protection; in 1991, 35 percent of these women were near-poor.

Higher levels of education decreased the risk of poverty, in part, through increasing the chances of husbands or wives having good long-term jobs with pensions. As table 5 shows, having either a pension of her own or a survivor benefit from her husband's pension substantially reduced the risk of poverty or near-poverty for nonmarried women.

The husband's poor health increased the risk of poverty or near-poverty for recent widows. Health problems often result in early retirement or death, and the concomitant expenses may deplete assets. However, the husband's receipt of a disability insurance benefit partially offset the disadvantage of his health problems (table 6). Disability benefits not only replace some of the income lost when the husband can no longer work, but also make it less likely that a widow will receive the reduced survivor benefits that result from the husband's early retirement. Social Security rules stipulate that when the disability recipient reaches age 65, his or her disability benefit will be converted into a regular retirement benefit without an early-retirement reduction. Widows' survivor benefits depend, in part, on whether their husbands took early retirement. Therefore, the widow of a man who had disability insurance would usually receive a larger survivor benefit than the widow of a man who had comparable earnings but took early retirement.⁷

For many nonmarried women, employment continued to be important even after they began to receive Social Security benefits. As table 7 shows, women who stopped working had an increased risk of becoming poor or near-poor. This result reinforces our finding that loss of earnings was one of the major kinds of income loss for those who became poor or near-poor. Beginning or continuing employment was also a significant route out of poverty. For nonmarried women with only modest amounts of retirement income, working may indeed be their only pension and one of the few ways they can avoid becoming poor.

Table 7.-Probability of women not married in either year entering or leaving near-poverty¹ in 1991, by work status in both years

Poverty status	Work status		
	Total	Not working in either year	Stopped working
Not near-poor in 1982, became near-poor in 1991	23	20	36
Near-poor in 1982, above near-poverty in 1991	17	14	10
			55

¹ Below 150 percent of poverty threshold.

² Includes working both years, and began working after 1982.

Source: IWPR calculations based on the 1982 and 1991 New Beneficiary Surveys.

Notes

¹ A more complete description of the NBDS may be found in the *Social Security Bulletin*, Vol. 56, No. 3, 1993, pp. 88-94.

² The Bureau of the Census uses 125 percent of the poverty line as a cutoff for those referred to as "near-poor." We have chosen to include a broader group of the vulnerable elderly. In 1996, 150 percent of the poverty line was \$9,484 for individuals and \$14,226 for couples aged 65 or older.

³ As indicated in table 1, the value of food stamps was also included in this income measure. However, food stamps alone caused very little change in poverty levels, especially in 1991. Almost all of the change was due to including imputed net rent, measured as 5 percent of home equity. See Shaw and Yi (1997a) for a description of the effects of including this and other measures of home equity and other assets in the income measure.

⁴ Fluctuations of income around the poverty line may account for the difference in our findings from those of Coe (1988), who found the probability of leaving poverty about as high for older persons as that for younger persons.

⁵ A change in the date for the annual cost-of-living increase occurred in 1983 and led to slightly smaller increases in benefits than in the CPI over the 9 years between interviews. The smaller increase in benefits brought about by this change amounted to less than \$50 per month for all but the higher earning beneficiaries and affected very few at the poverty and near-poverty levels.

⁶ The conclusions mentioned here are confirmed in logistic regression analyses of the factors predicting the likelihood of poverty for widows in Shaw and Yi (1997a; 1997b). See also Choudhury and Leonesio (1997), who found poverty in old age to depend on long-term economic status.

⁷ The largest difference would occur if the widows did not receive survivor benefits until they reached age 65. For widows receiving survivor benefits before 65, the difference is smaller; below age 62, both would receive the same benefit.

References

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Why SIPP and CPS Produce Different Poverty Measures Among the Elderly

Introduction

The March Supplement to the Current Population Survey (CPS) and the Survey of Income and Program Participation (SIPP) are the two major sources of information about the level and distribution of economic well-being among U.S. households. The two surveys have shown diverging estimates of the poverty rate, particularly among the elderly. The SIPP-based poverty rate for older Americans is about 30 percent below that indicated by the CPS. The patterns in the two surveys diverge even more sharply for select subgroups of the elderly population. The purpose of this research is to document the divergence between SIPP and CPS poverty measures, focusing on the elderly population, and to explain why this divergence arises, with particular attention to the role played by the reporting of various sources of income.

Table 1 shows poverty rates, income-to-needs ratios, and poverty gaps for the elderly and nonelderly populations, as well as for several demographic subgroups among the elderly. In terms of poverty rates, the SIPP consistently produces lower

estimates for all subgroups and for all four years considered (1987, 1988, 1990, and 1991). On average across the four years, the SIPP poverty rates for the aged are about 27 percent lower than in the CPS (about 9 versus 12 percent). When poverty rates are disaggregated by demographic characteristics among the elderly in relative terms, we observe larger SIPP-CPS discrepancies among men than among women (39 percent lower rates in SIPP for men and 22 percent for women), and larger discrepancies for married than nonmarried persons, and for those living with others than for those living alone. Along the age dimension, no clear pattern of differences stands out: In both surveys, poverty increases sharply with age, but the age gradient is not noticeably different across the two surveys.

SIPP not only finds fewer poor people, it also finds that those counted as poor are on average somewhat better off than their (more numerous) CPS counterparts. An easily interpretable measure of well-being among the poor is the average income-to-needs ratio (the average of the ratio of income to the poverty line). SIPP and CPS differ less along this dimension than with respect to the poverty rates. The average ratio among the SIPP elderly is about 78 percent and it is 71 percent in the CPS. The